

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND  
HILDA SOLIS**

**July 7, 2015**

**Los Angeles County Support for Local Small Businesses**

The approximately 200,000 small businesses in Los Angeles County (County) are the engines for the local economy. Their success expands economic opportunities for local residents and generates shared wealth. Small businesses account for approximately half of the County's 3.5 million private sector jobs and occupy buildings that might otherwise be left vacant. Small businesses also recirculate wealth by increasing local sales and property tax revenue, which in turn gets reinvested into the community through public services. Finally, local small businesses have been found to be better connected to their local communities through their leadership in civic organizations and thus invest more in the well-being of their communities.

In 2002, the Board of Supervisors created the Local Small Business Enterprise Preference Program to enhance purchasing and contracting opportunities for small businesses located within the County. Despite making it more desirable for local small businesses to respond to County bids and solicitations, they account for only 1.7% or \$113 million of the County's \$6.6 billion cumulative annual purchasing and contracting expenditure. In 2013, the County implemented the Disabled Veteran Business Enterprise Preference Program for service disabled veteran-owned businesses certified by either the State of California (State) or the U.S. Department of Veterans Affairs. Earlier this year, the Board of Supervisors (Board) voted to explore the establishment of a County preference program for non-profit and for-profit social enterprises that have a history of employing men

- MORE -

**MOTION**

SOLIS \_\_\_\_\_

RIDLEY-THOMAS \_\_\_\_\_

KUEHL \_\_\_\_\_

KNABE \_\_\_\_\_

ANTONOVICH \_\_\_\_\_

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND HILDA SOLIS**  
**JULY 7, 2015**  
**PAGE 2**

and women recently released from incarceration. The vast majority of these firms are small businesses formed as social enterprises pursuant to newly enacted state legislation. These businesses serve a critical function in aiding the formerly incarcerated in returning to society as productive, tax paying citizens, reducing the rate of recidivism and saving tax dollars. These businesses face higher operating costs associated with training, counseling and supervision and are thus at a competitive disadvantage. In this same action, the Board requested the development of a mechanism for tracking and reporting the performance of these programs.

However, unlike some other large government agencies, the County has no unified administrative policy to encourage increased local small business or disabled veteran business participation. The State, for example, has implemented a comprehensive suite of innovative policies to increase small business and disabled veteran business participation in its purchasing and contracting. Each year, the State spends approximately \$9 billion on goods and services, construction and public works, with outside firms including small businesses. In 2006, the State established a 25% and 3% participation goal for small business and disabled veteran business, respectively. The State then raised its simplified acquisition ceilings to allow agencies to purchase and contract with these businesses more easily; as a result, State agencies may now use a streamlined process to contract directly with certified small businesses and microbusinesses for goods, services, information technology for projects up to \$249,999, and public works projects up to \$281,000. Finally, the State's Small Business Advocate collects participation data from several State agencies, monitors compliance with program goals, and reports small business utilization at both prime and sub-contractor levels. These efforts led the State to see average participation goals of 22.19% and 3.96% for these businesses, respectively, over the three-year period between fiscal years 2010-2013.

Due to its immense spending power in purchasing and contracting, the County is in a unique position to strengthen its local economy. By promoting increased local small business, social enterprises and disabled veteran business participation with the County,

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND HILDA SOLIS**  
**JULY 7, 2015**  
**PAGE 3**

the County can encourage the establishment of new businesses, the growth of existing small businesses, and the creation of new local jobs.

To this end, the County should assess a variety of options that have the potential to increase small business, social enterprise, and disabled veteran owned business utilization in county purchasing and contracting. These options include, but are not limited to:

- A. Increasing the total number of qualified "bid-ready" certified small businesses.
- B. Implementing an independent County Small Business certification in addition to expanding reciprocal certification agreements with other public agencies.
- C. Establishing an effective tracking mechanism for all preference programs that includes the tracking of dollar award amounts of County subcontracts awarded to local small businesses, social enterprises and disabled veteran owned businesses.
- D. Establishing County-wide purchasing and contracting participation goals for local small businesses, social enterprises and disabled veteran owned businesses.
- E. Increasing the simplified acquisitions ceilings for commodity purchasing, contracting and public works services, allowing for departments to buy directly from local small businesses, social enterprises and disabled veteran businesses.
- F. Reserving certain procurements for local small businesses, social enterprises and disabled veteran businesses, where applicable and legally feasible.
- G. Establishing and authorizing the Department of Consumer and Business Affairs as the County Small Business Advocate, which would:
  - a. Be responsible for collecting data tracking and reporting on the utilization outcomes of these programs, throughout County departments.
  - b. Assist departments in setting utilization goals.
  - c. Report to the Chief Executive Office monthly and to the Board annually on goal progress.
  - d. Serve as a resource for small businesses, social enterprises and disabled veteran businesses.
- H. Developing a multi-functioned "e-procurement" type system which is easily accessible by authorized users for data input and department reporting.

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND HILDA SOLIS**  
**JULY 7, 2015**  
**PAGE 4**

- I. Establishing advocates for small businesses, social enterprises and disabled veteran businesses and elevating their responsibilities in the major purchasing and contracting departments, in order to maximize efficiency and effectively report program activity.

**WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:**

1. Direct the Department of Consumer and Business Affairs, in consultation with the Interim Chief Executive Officer, County Counsel, Auditor-Controller, and the Directors of the Internal Services, Public Works, Public Social Services and Community and Senior Services departments, as appropriate, to assess the options above, and any other options they identify which could lead to increased small business, social enterprise and disabled veteran business utilization, and to report back in writing to the Board in 90 days with a report on this assessment.
2. Direct the Department of Consumer and Business Affairs to assess and report back in writing to the Board in 90 days on the timeline and resources required for implementing a County-wide procurement goal of 25% for local small businesses and 3% for disabled veteran owned businesses with an effective target date of July 1, 2016 for full implementation.
3. Direct the Department of Consumer and Business Affairs to report back in writing to the Board in 90 days with a recommendation on adopting a County procurement goal for social enterprises.

**# # # #**

(DMR)